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**Malaysia**

**Sugar**

**Annual**

**2002**

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**Report Highlights:**

**Total Malaysian cane production is expected to decline to 1.06 MMT in 2002 due to dry weather conditions. Domestic sugar consumption should increase in response to increased demand from the refiners. The outlook for imports is bright with a expected growth of 5.7 percent in 2002. Exports of refined sugar to neighboring countries rose 30 percent and expected to stabilize at 300 - 330 TMT for the next two years.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Kuala Lumpur [MY1], MY

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## **Executive Summary**

Area devoted to sugar cultivation had been revised down to 22,000 hectares due to the delay in the construction of a new refinery in the state of Sabah. Cane output in CY2001 rose 4.6 percent to 1.13 MMT. Due to some damages caused by the recent dry spell, cane output is expected to decrease to 1.06 MMT in 2002. Post expects a slight increase in cane output in 2003, mainly due to a small increase in planted area.

Domestic sugar consumption rose 4 percent in 2001 and is expected to expand by 3 - 4 percent annually in CY2002 and CY2003, reflecting the gradual growth in the beverage and confectionery industry. The average unit value of raw sugar (95-98 degree Polarization) purchased from Thailand in the free market was RM720 (US\$190)/ton in CY2001 compared to RM550 (US\$145)/ton in CY2000.

Malaysian sugar refiners rely on imports for about 92 percent of their milling requirement. Imports from Australia fell but still dominated 60 percent of the market while Brazil's exports to Malaysia rebounded and captured 14 percent of the import market. South Africa managed to increase its exports by 84 percent, offsetting the decline from Thailand.

Post expects sugar imports to top 1.4 MMT in 2002 to meet increased demand from the refiners as well as for stock replenishment. The growth in imports is likely to be sustained in year 2003 as the food processing industry continues to expand.

Exports of refined sugar rose 30 percent in 2002. A sharp increase in exports to Indonesia and New Zealand more than offset declines in shipments to Singapore and the Philippines. Post expects Malaysian total sugar exports to be in the ballpark of 300 - 330 TMT for the next two years.

Exchange Rate: Pegged at RM3.799 to US\$1.00 since 1998.

## **PSD Table: Sugar Cane for Centrifugal**

|                       |                            |         |             |         |                    |         |
|-----------------------|----------------------------|---------|-------------|---------|--------------------|---------|
| PSD Table             |                            |         |             |         |                    |         |
| Country               | Malaysia                   |         |             |         |                    |         |
| Commodity             | Sugar Cane for Centrifugal |         |             |         | (1000 HA)(1000 MT) |         |
|                       | Revised                    | 2001    | Preliminary | 2002    | Forecast           | 2003    |
|                       | Old                        | New     | Old         | New     | Old                | New     |
| Market Year Begin     |                            | 01/2001 |             | 01/2002 |                    | 01/2003 |
| Area Planted          | 26                         | 22      | 0           | 20      | 0                  | 22      |
| Area Harvested        | 18                         | 17      | 0           | 16      | 0                  | 17      |
| Production            | 1130                       | 1130    | 0           | 1060    | 0                  | 1140    |
| TOTAL SUPPLY          | 1130                       | 1130    | 0           | 1060    | 0                  | 1140    |
| Utilization for Sugar | 1130                       | 1130    | 0           | 1060    | 0                  | 1140    |
| Utilizatn for Alcohol | 0                          | 0       | 0           | 0       | 0                  | 0       |
| TOTAL UTILIZATION     | 1130                       | 1130    | 0           | 1060    | 0                  | 1140    |

### PDS Table: Centrifugal Sugar

|           |                   |  |  |  |           |  |
|-----------|-------------------|--|--|--|-----------|--|
| PSD Table |                   |  |  |  |           |  |
| Country   | Malaysia          |  |  |  |           |  |
| Commodity | Centrifugal Sugar |  |  |  | (1000 MT) |  |

|                        | Revised | 2001    | Preliminary | 2002    | Forecast | 2003    |
|------------------------|---------|---------|-------------|---------|----------|---------|
|                        | Old     | New     | Old         | New     | Old      | New     |
| Market Year Begin      |         | 01/2000 |             | 01/2001 |          | 01/2002 |
| Beginning Stocks       | 37      | 135     | 30          | 130     | 167      | 150     |
| Beet Sugar Production  | 0       | 0       | 0           | 0       | 0        | 0       |
| Cane Sugar Production  | 110     | 113     | 112         | 106     | 0        | 114     |
| TOTAL Sugar Production | 110     | 113     | 112         | 106     | 0        | 114     |
| Raw Imports            | 1257    | 1325    | 1200        | 1400    | 0        | 1450    |
| Refined Imp.(Raw Val)  | 0       | 0       | 0           | 0       | 0        | 0       |
| TOTAL Imports          | 1257    | 1325    | 1400        | 1400    | 0        | 1450    |
| TOTAL SUPPLY           | 1404    | 1573    | 1542        | 1636    | 167      | 1714    |
| Raw Exports            | 0       | 0       | 0           | 0       | 0        | 0       |
| Refined Exp.(Raw Val)  | 274     | 302     | 275         | 300     | 0        | 330     |
| TOTAL EXPORTS          | 274     | 302     | 275         | 300     | 0        | 330     |
| Human Dom. Consumption | 1100    | 1141    | 1100        | 1186    | 0        | 1224    |
| Feed Dom. Consumption  | 0       | 0       | 0           | 0       | 0        | 0       |
| TOTAL Dom. Consumption | 1100    | 1141    | 1100        | 1186    | 0        | 1224    |
| Ending Stocks          | 30      | 130     | 167         | 150     | 0        | 160     |
| TOTAL DISTRIBUTION     | 1404    | 1573    | 1542        | 1636    | 0        | 1714    |

## Production

All the three sugar plantations are located in the northeast corner of Peninsular Malaysia in the adjoining states of Perlis and Kedah. Due to land scarcity, the two plantations in the state of Perlis have already reached their limits. The one in the state of Kedah is in the process of reclaiming some water-logged swamps and should see some additional area devoted to sugar cultivation in the coming season. Other areas with hilly terrain are cultivated with oil palms.

The newly established sugar plantation in the state of Sabah on the Borneo Island has ran into financial difficulties in the construction of its processing mill. Consequently, Post has revised downwards the total cultivated area and cane output for 2002/03.

The harvest of the 2002 crop is nearly over. Due to some damages caused by the dry spell from Dec-Feb, cane output is expected to decrease to 1.06 MMT. There are concerns over the effects of the current, dry weather conditions on the 2002/03 crop. However, sugar canes are known to recover rapidly given the return of normal rainfall. At the moment, Post expects a slight increase in cane output in 2003, mainly due to a small increase in planted area.

## Consumption

Domestic sugar consumption rose 4 percent in 2001. (CY2000's consumption has been revised downward to 1.1 MMT ). Household-use accounts for 68-70 percent of total domestic disappearance of sugar while the balance is utilized by manufacturers of sweetened condensed milk, sweetened beverages, bakery products, ice cream, chocolates and other confectioneries. In recent years, the consumption of soft drinks and sweetened packaged juices has increased tremendously, in part due to the expansion of vending machines in public places. Some sugared products are exported to neighboring countries. Domestic consumption is expected to expand by 3 - 4 percent annually in CY2002 and CY2003.

Wholesale and retail prices for sugar are controlled under the Supplies Regulation Act (1974). The GOM reduced the wholesale price from RM1,395/ton (US\$367) to RM1,345/ton (US\$354) and retail price from RM1.45/kg (US\$0.38) to RM1.40/kg (US\$0.37) since December, 2000.

According to Malaysian import statistics, the average unit value of raw sugar (95-98 degree Polarization) purchased from Thailand in the free market was RM720 (US\$190)/ton in CY2001 compared to RM550 (US\$145)/ton in CY2000.

## Trade

Malaysian sugar refiners rely on imports for about 92 percent of their milling requirement. After a sharp drop in 2001, Brazil's exports to Malaysia rebounded and captured 14 percent of the import market. Imports from Australia fell but still dominated 60 percent of the market. South Africa managed to increase its exports by 84 percent, offsetting the decline from Thailand. Guatemala re-emerged in the market, capturing about 2 percent market share in 2001 while Fiji dropped off the market.

Post expects sugar imports to top 1.4 MMT in 2002 to meet increased demand from the refiners as well as for stock replenishment. The growth in imports is likely to be sustained, albeit at a slower rate, in year 2003 as the food processing industry continues to expand.

Exports of refined sugar rose 30 percent in 2002. A sharp increase in exports to Indonesia and New Zealand more than offset declines in shipments to Singapore and the Philippines. Post expects Malaysian total sugar exports to be in the ballpark of 300 - 330 TMT for the next two years.

### Import Trade Matrix: Centrifugal Sugar

|                     |                   |              |        |
|---------------------|-------------------|--------------|--------|
| Import Trade Matrix |                   |              |        |
| Country             | Malaysia          |              |        |
| Commodity           | Centrifugal Sugar |              |        |
| Time period         | Jan-Dec           | Units:       | 1000MT |
| Imports for:        | 2000              |              | 2001   |
| U.S.                |                   | U.S.         |        |
| Others              |                   | Others       |        |
| Australia           | 830               | Australia    | 791    |
| Thailand            | 208               | Brazil       | 185    |
| Brazil              | 85                | Thailand     | 173    |
| South Africa        | 80                | South Africa | 147    |
| Fiji                | 23                | Guatemala    | 29     |
|                     |                   |              |        |
|                     |                   |              |        |
|                     |                   |              |        |
|                     |                   |              |        |
|                     |                   |              |        |
| Total for Others    | 1226              |              | 1325   |
| Others not Listed   |                   |              |        |
| Grand Total         | 1226              |              | 1325   |

## Export Trade Matrix: Centrifugal Sugar

|                     |                   |             |        |
|---------------------|-------------------|-------------|--------|
| Export Trade Matrix |                   |             |        |
| Country             | Malaysia          |             |        |
| Commodity           | Centrifugal Sugar |             |        |
| Time period         | Jan-Dec           | Units:      | 1000MT |
| Exports for:        | 2000              |             | 2001   |
| U.S.                |                   | U.S.        |        |
| Others              |                   | Others      |        |
| Indonesia           | 145               | Indonesia   | 221    |
| Singapore           | 60                | Singapore   | 48     |
| Philippines         | 14                | New Zealand | 15     |
| New Zealand         | 10                | Philippines | 11     |
| Cambodia            | 2                 | Cambodia    | 4      |
| South Africa        | 1                 | Hong Kong   | 2      |
| Hong Kong           | 1                 |             |        |
|                     |                   |             |        |
|                     |                   |             |        |
|                     |                   |             |        |
| Total for Others    | 233               |             | 301    |
| Others not Listed   |                   |             | 1      |
| Grand Total         | 233               |             | 302    |

## Stocks

Carry-out stocks declined 3.7 percent at the end of CY2001 reflecting the sharper increase in exports. As for 2002 and 2003, part of the imports will be used to rebuild stocks.

## Policy

Non-Tariff Barriers: Malaysia has long-term trade agreement (LTA) with Australia to cover about 40-60 percent (volume can vary from year to year) of domestic requirements. The agreement is due for re-negotiation towards the end of 2002.